

KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

RETIRED MEMBER EDITION
October/November 2003



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New Board Member Elected Laura Zimmerman



The Board of Trustees recently elected Laura A. Zimmerman of Lexington to fill the active teacher trustee position on the KTRS Board of Trustees. With the recent retirement of Ms. Barbara G. Sterrett, the Board selected Ms. Zimmerman from among several nominees for the position. The appointment is for the remainder of Ms. Sterrett's term which expires June 30, 2006. Ms. Zimmerman is a teacher with the Fayette County School System and has been active in teacher associations at the local and state levels. She holds a BS in Community Health Education from Eastern Kentucky University with a Masters Degree in Biology Education. We welcome Ms. Zimmerman to the Board of Trustees.

Financial Markets Show Improvement

In recent quarters, the financial securities markets have stabilized and registered solid returns. Over the last twelve months, the stock market, as measured by the Standard & Poor's 500 Stock Index on September 30, earned a total return exceeding 24%. During the first nine months of 2003, the stock market generated a total return of 14.7%. Meanwhile, the total return from the bond market for the last twelve months, as measured by the Lehman Government Credit Bond Index, approximated 6.5%. The return for the first three quarters of 2003 was 4.7%. The stronger stock market is welcome news after three years of weakness.

Change in Funding Formula for Medical Insurance Sought

Retired teachers in Kentucky have received medical coverage from a pay-as-you-go medical insurance plan since 1964. This means that the contributions from active members and the state matching contribution provide the funds needed to pay medical coverage for retirees. This program has served retirees well and today covers over 29,000 retirees. The base funding for this benefit is the $\frac{3}{4}$ of 1% of members' salaries contributed by the members and matched by the state.

As with any pay-as-you-go plan, there have been several periods when it was necessary to increase funding or make adjustments in the plan structure to maintain the plan. Funding to the plan has been supplemented since 1998 when the funding level for retirement benefits improved to the point that the actuary recommended that a portion of contributions to the retirement fund be

The System's long-term investment performance remains strong. As of June 30, 2003, the System's ten year annualized stock return was 10.4%. The fifteen year annualized return was 12.1%, and the twenty year annualized total return was 12.6%. In each measurement the System's portfolio out-performed the market. The ten, fifteen, and twenty year annualized returns on all assets, as of June 30, 2003, were 8.2%, 9.4%, and 10.2%, respectively.

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used to alleviate the shortfalls of the medical insurance fund. As a result of the recent economic downturn, the actuary has advised the System that those funds will be needed to continue the soundness of the retirement plan. The retirement plan is funded in advance of retirement on an actuarially sound basis as compared to the pay-as-you-go funding for the medical plan. Since 1998, the supplemental funding has enabled the retirement system to accumulate reserves in the medical insurance fund. Changes to the funding formula are critical by no later than the 2006 plan year because at that time the current financial reserves will be exhausted. Without additional funding by the 2006 plan year serious changes to the funded level of coverage would be required.

The KTRS medical insurance plan is important to both retired and active members and the Board of Trustees has reacted to the membership by identifying the medical issue as its top priority for the upcoming legislative session. They will be seeking a change in the funding formula needed to continue this plan at a meaningful and equitable level.

**Don't Count On A
Long Shot
During Flu Season!**



- o **Hedge your bets** by getting your flu shot in October and November.
- o Your **odds** of becoming seriously ill with the flu are much greater at 65 years of age and older.
- o The **tip sheet** recommends anyone 50 years old and above, or any person (regardless of age) who is in poor health with medical problems (such as congestive heart failure, diabetes, and emphysema), to get a flu shot every year.
- o Don't **scratch** this advice – unless you are allergic to eggs or certain vaccinations, then talk to your doctor.
- o Let the federal government **place your wager**, as flu shots are paid for by Part B of Medicare.
- o Beat the flu **at the wire** this year with a flu shot!

**RETIREES UNDER AGE 65
2004 OPEN ENROLLMENT
DEADLINE OCTOBER 24, 2003
(Or October 31, 2003 -
Certain Counties only*)**

In mid-September, Open Enrollment packets were mailed to all KTRS retirees under age 65 who are eligible to participate in the State Group Health Plan (SGHP). Most retirees who were required to make a change in coverage or elected to make a change in coverage have already done so.

If you miss the enrollment deadline and failed to complete a 2004 application **AND:**

- 1) your 2003 plan is available in 2004, you will continue with that plan at the new rates;
- 2) your 2003 plan was not offered in 2004, you will be automatically assigned a plan available in your county of residence at the same level and option as 2003.
- 3) you waived in 2003, your waiver will be continued for 2004.

*Extended October 31, 2003 deadline for the following counties in Kentucky or out of state but bordering one of the Kentucky counties as listed:

KENTUCKY COUNTIES- Bath, Bourbon, Boyd, Calloway, Campbell, Carter, Clay, Elliott, Graves, Greenup, Harlan, Henderson, Jackson, Lawrence, Marshall, Menifee, Morgan, Pike, Rockcastle, Rowan & Union

ILLINOIS COUNTIES-Gallatin, Hardin

INDIANA COUNTIES-Posey, Vanderburgh, Warrick

OHIO COUNTIES-Butler, Clermont, Hamilton, Lawrence, Scioto, Warren

TENNESSEE COUNTIES- Henry, Stewart, Weakley

VIRGINIA COUNTIES- Buchanan, Dickenson, Lee, Wise

WEST VIRGINIA COUNTIES- Mingo, Wayne



RETIREES AGE 65 & OVER

MEHP Rates Set for 2004

The Medicare Eligible Health Plan (MEHP) for retirees age 65 and over is administered by KTRS on a self-insured basis. The Retirement System currently contracts with Aetna and Medco to process the claims of retirees. Medical insurance costs continue to escalate by a greater percentage than the overall annual inflation rate for all consumers in the United States. Although KTRS remains diligent in its efforts to contain these costs, quite often there are external factors affecting the medical insurance industry that are beyond our control. At the yearly accounting meeting with representatives from Aetna and Medco, KTRS was advised of four percent (4%) increase in the fiscal year cost of claims processed by Aetna and an eleven percent (11%) increase in the annual cost of prescription claims processed by Medco. Drug claims represent approximately two-thirds (2/3) of the total expenditures in the MEHP. Increased utilization, new prescription medications, and drug inflation are the major factors attributable to the cost increases in the drug program.

By statute, KTRS is required to operate the medical insurance program on a basis by which the expenditures do not exceed the revenues available for funding the program. To that extent, the monthly premium for 2004 will increase to \$274 for the Medicare supplement as compared to the current \$260. The Retirement System will continue to pay the full \$274 supplement for retired members with 20 or more years of service. Those members who retired with less than 20 years service will experience a monthly cost increase ranging from \$1.40 to \$4.20. (5-9.9 yrs=\$82.20; 10-14.9 yrs=\$54.80; 15-19.9=\$27.40). Spouses who elect coverage will continue to pay the full cost.

Five Simple Steps to Reducing Prescription Costs

As consumers we have seen the nation's healthcare costs spiral at a rate much faster than the overall inflation rate. By following a few simple steps you can help with this national crisis, save yourself money, and help KTRS maintain a meaningful medical and prescription drug program.

Step 1) If you are not currently taking generic drugs ask your doctor or pharmacist if the **generic equivalent** of the medication you are currently taking might be a good alternative for you. Generics are approved by the FDA, contain the same active ingredients, and cost 30 to 60% less than brand name drugs.

Step 2) If your medication does not have a generic equivalent, ask your doctor if there is a **less expensive brand name equivalent** or an over the counter medication to treat your specific illness.

Step 3) **Don't rely totally on direct to consumer advertising** to influence the types of medication you take. Remember, there is no substitute for the diagnosis you receive when you have shared your situation with the physician.

Step 4) For retirees age 65 & over, contact Medco Health Solutions at 1-800-551-8060 for a **formulary list of preferred medications**. Your doctor can help you save money by prescribing plan-preferred drugs, so be sure to take the formulary guide with you each time you visit your physician.

Step 5) Stay **informed**, exercise regularly, and live a **healthy** lifestyle.

Medicare Prescription Drug Bill

KTRS is closely monitoring the progress of Federal Medicare legislation. It is too early to anticipate future plan changes. The possibility for some relief with soaring medical costs could exist for agencies such as KTRS through federal subsidies. Should a final consolidated bill be agreed upon and signed by the President, KTRS will determine after that point whether our status will be that of a primary or secondary payor of drug claims.

Keep Your Address Current

We encourage members to use the **CHANGE NAME/ADDRESS** form located on the KTRS web site (www.ktrs.ky.gov) when making a change of name and/or address request.

You can reach the form from the KTRS Home Page by selecting the [Resources] option and then clicking on the MEMBER "Bus" icon. From the Member Forms/Information menu select the Change Of Address form item. You will need to print the form, fill in the information requested and mail or fax the completed form to KTRS.

If you do not have access to the Internet a form has been provided for you below. Always be sure to include your name, old and new addresses, your account number (Social Security Number) and include your signature along with the current date on all correspondence when writing to KTRS.

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3800

PLEASE TYPE OR PRINT ALL
INFORMATION REQUESTED

**As a member of the Kentucky Teachers' Retirement System, I request that my mailing address
(and/or) name be changed as follows:**

FROM: _____

TO: _____

Send Beneficiary Change Form ☐ (Check if form is needed)

District Last/Currently Employed In _____ County of Residence _____

Current Phone Number: (_____) _____ (Social Security #) _____ - _____ - _____

(Member's Signature)

(Date)

